Vol. I

TRANSCRIPT OF RECORD

(Pages 1 to 56)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 755

IRA J. McCULLOUGH, PETITIONER,

vs.

KAMMERER CORPORATION AND BAASH-ROSS TOOL COMPANY

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT

PETITION FOR CERTIORARI FILED DECEMBER 6, 1946.

CERTIORARI GRANTED FEBRUARY 3, 1947.

No. 11122

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

IRA J. McCULLOUGH,

Appellant,

vs.

KAMMERER CORPORATION and BAASH-ROSS TOOL COMPANY,

Appellees.

IRA J. McCULLOUGH,

Appellant,

vs.

KAMMERER CORPORATION and BAASH-ROSS TOOL COMPANY,

Appellees.

TRANSCRIPT OF RECORD

Upon Appeals from the District Court of the United States for the Southern District of California, Central Division

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matter appearing in the original certified record are printed literally in italics; and likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible an omission from the text is indicated by printing in italics the two words between which the omission seems to occur.]

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NAMES AND ADDRESSES OF ATTORNEYS

For Appellant:

R. WELTON WHANN
A. W. BOYKEN
ROBERT M. McMANIGAL

315 West Ninth Street
Los Angeles 15, Calif.

For Appellees:

LYON & LYON
LEWIS E. LYON
FREDERICK S. LYON
LEONARD S. LYON

811 West Seventh Street
Los Angeles 14, Calif. [1*]

*Page number appearing at foot of Certified Transcript.

In the United States District Court
Southern District of California
Central Division

Equity No. 751-Y

KAMMERER CORPORATION, a Corporation, et al.,
Plaintiffs,

vs.

IRA J. McCULLOUGH, et al.,
Defendants.

Equity No. 1238-Y

KAMMERER CORPORATION, a Corporation, et al.,
Plaintiffs,

vs.

IRA J. McCULLOUGH, et al.,
Defendants.

MOTION FOR MODIFICATION OF INTERLOCUTORY JUDGMENTS, TO STAY ACCOUNTINGS, AND FOR FINAL JUDGMENTS DISMISSING COMPLAINTS

Now comes defendant Ira J. McCullough and moves this Court for modifications of its Interlocutory Judgments herein, dated June 28, 1941, in finding the patent in suit valid and infringed, by eliminating from each of such Interlocutory Judgments paragraphs VI and VII thereof (R. 121, 122, 125, 126, providing for accountings of and for [2] payment by defendant to plaintiffs of profits and damages for patent infringement, with costs of suits) for a stay of the accountings, and for Final Judgments providing that the plaintiffs have used the patent in suit contra to the public interest, and that the complaints be dismissed with costs to defendant.

The grounds for this motion are that plaintiffs have used the patent in suit contrary to the public interest and in restraint of trade, for which reasons they come into a Court of Equity with "unclean hands" and are not entitled to accountings of profits and damages for patent infringement.

The plaintiffs entered into a license agreement which is in evidence as Plaintiffs' Ex. 7 (R. 179, 854), and a copy of which is attached hereto and marked Exhibit "A". Under this license agreement plaintiffs have been using this patent against the public interest and in restraint of trade to:

(1) Suppress the use of competing devices.

(2) Suppress the sale of the patented device by both the patent owner and licensee.

(3) Fix prices for the use of the patented device, which require the use of an unpatented commodity.

The Reilly and Stone patent in suit, which this Court found valid and infringed (39 F. Supp. 213), expired on April 18, 1944, and the injunction terminated on that date. That opinion is not now here questioned. Validity and infringement having been found, the only remaining issue is whether plaintiffs, because of the misuse of the patent, are entitled to accountings, as provided for in paragraphs VI and VII of the Interlocutory Judgments entered in this Court, or whether the complaints should be dismissed with costs to defendant. [3]

The mandate of the Circuit Court of Appeals for this Circuit provides that this Court may entertain this motion. The defendant moved said Circuit Court of Appeals for a modification of its decree dated October 18,

1943, affirming this Court in finding the patent in suit valid and infringed by eliminating from such decree any affirmance of the aforesaid paragraphs VI and VII of the Interlocutory Judgments of this Court and/or for permission to apply to this Court to reform said Interlocutory Judgments and stay the accountings. The Circuit Court of Appeals granted the second alternative of the motion and ordered that the cause be remanded to this Court and that this Court may entertain a motion based upon the aforesaid contentions to modify or set aside its orders for damages and accountings thereof, and take such action thereon as it may determine.

That this Court has power to modify its own interlocutory judgments is undeniable.

At the hearing defendant will rely on the proceedings in this Court, in the United States Circuit Court of Appeals for the Ninth Circuit, and in the United States Supreme Court, the transcript of record, and particularly the above mentioned license agreement between plaintiffs (Pltffs's. Ex. 7), and the following points and authorities.

For the convenience of the Court, two copies of Vols. I, II, and IV of the Transcript of Record upon appeals in these cases are being deposited with the Clerk of the above entitled Court. The pages of the Record referred to herein refer to said printed Transcript of Record.

R. WELTON WHANN
A. W. BOYKEN
ROBERT M. McMANIGAL
315 West Ninth Street
Los Angeles 15, California
Attorneys for Defendant Ira J. McCullough [4]

EXHIBIT "A"

PLAINTIFF'S EXHIBIT NO. 7

LICENSE AGREEMENT

This Agreement, made and entered into this 18th day of October, 1923, by and between Kammerer Corporation, a corporation organized and existing under and by virtue of the laws of the State of California, with its principal place of business at Santa Fe Springs, County of Los Angeles, State of California, hereinafter referred to as the Licensor, and L. F. Baash Perforating Company, a corporation, organized and existing under and by virtue of the laws of the State of California, with its principal place of business at Brea, County of Orange, State of California, hereinafter referred to as the Licensee,

Witnesseth:

That, Whereas, the Licensor is the sole owner of Letters Patent No. 1,277,660,* covering Tools for Cutting and Removing Pipe From Wells, and of that certain application for Letters Patent of the United States, Serial No. 652,511, covering Tools for Cutting and Removing Pipe From Wells, which said application was filed on the 19th day of July, 1923;† and

Whereas, the Licensor has and does hereby warrant that it is the sole owner of the aforesaid inventions and all rights thereto; and

Whereas, the Licensee is desirous of obtaining a license to and for the said inventions and any Letters Patent

*Probably misprint in record as correct number of Kammerer Patent is 1,277,600.

†This is the application for the Reilly and Stone Patent in suit.

which may be granted on said application to the Licensor; [5]

Now, Therefore, for and in consideration of their respective covenants and agreements hereinafter contained, and of the full and faithful performance of each and every thereof, the parties hereto have and do hereby mutually agree as follows;

1. The Licensor hereby grants to the Licensee the exclusive right and license to manufacture and use, but not to sell, devices embodying the aforesaid inventions under any Letters Patent now granted or which may hereafter be granted on any applications now pending or any patents hereafter obtained on improvements on the device or devices above mentioned, throughout the United States of America and the territories thereof, said license to continue for the full term of any Letters Patent granted for said inventions or improvements thereon.

2. The Licensee covenants and agrees during the term of this license to pay the Licensor hereunder upon all devices embodying the aforesaid inventions, a royalty of fifty percent (50%) of the gross earnings accruing by the use of said devices by the Licensee.

3. The Licensee covenants and agrees during the term of this license to charge as a rental for the use of said device or devices the sum of One Hundred and Ninety Dollars ($190.00) per cut made by said device or devices.

4. The Licensee agrees to keep true and accurate books of account showing in detail the number of devices embodying the aforesaid invention manufactured by the Licensee, together with the dates of the use thereof and the names of the parties to whom the same were rented

or upon whose property the same were used, which books of account shall be open at all usual business hours for the inspection of the Licensor or its duly authorized agents. The Licensee further agrees to render to the Licensor on or before the fifteenth day of each and every calendar month during the term of this license, a true and correct statement in writing, setting forth [6] the quantity of said devices manufactured by the Licensee during the preceding calendar month, together with a statement showing the dates of the use or rental thereof and the number of cuts made and the parties for whom the device or devices were used during the preceding calendar month.

5. The Licensee covenants and agrees to pay to the Licensor at its office at Santa Fe Springs, Los Angeles County, California, the royalties on the cuts reported in the statements hereinabove provided within thirty-six days after the statements are rendered.

6. It is hereby mutually covenanted and agreed by and between the parties hereto that any accounts of business done under this agreement by the Licensee, which are not paid within six (6) months from the time the statements of such business are rendered to the Licensor as hereinbefore provided, shall be considered bad accounts and any royalties which may have been paid on such business shall be deducted from the royalty account of the Licensor.

It is further agreed that at the time of making any such deduction the Licensor shall have the right to take over the collection of such account or accounts by so notifying the Licensee and that for the purpose of collection the Licensor may use the Licensee's name and that for every such account collected by the Licensor,

the Licensor may retain in addition to its royalty, all costs of collection.

It is further understood and agreed that whenever the Licensor has refunded the royalty on any non-collectible account and the Licenses thereafter makes collection of said account, that the Licensee shall repay the royalty theretofore refunded.

It is further understood and agreed that the Licensee will cooperate with the Licensor by furnishing the necessary evidence to prove the account on such claims as the Licensor undertakes to collect [7] pursuant to this agreement.

7. The Licensee covenants and agrees that in the manufacture of devices under this license agreement it will stamp on all such devices so manufactured the word "Patented", together with the date of said patent or patents.

8. The Licensor agrees to diligently prosecute the aforesaid application for Letters Patent, Serial No. 652,511, and procure Letters Patent covering said invention, if possible, at the earliest date, and the Licensor agrees to indemnify and save harmless the Licensee against any and all liability, damage, loss or injury adjudged or sustained by reason of any claim or suit that said device constitutes an infringement upon any Letters Patent heretofore or hereafter granted; provided, however, that in case suit is brought against the Licensee, the Licensor shall be given notice thereof and shall have opportunity to intervene and defend said claim or suit.

9. The Licensee hereby covenants and agrees that the Licensor shall have, and it is hereby given, a first lien on all devices manufactured under this agreement as and

for security for the payment to the Licensor of all unpaid royalties which may accrue during the term of this agreement.

10. It is hereby mutually covenanted and agreed by and between the parties hereto that should the Licensee become bankrupt or be thrown into the hands of a receiver or receivers, then and in that event the Licensor shall have the option to purchase all of the devices manufactured by the Licensee under the terms of this agreement at the agreed price of three hundred ($300.00) Dollars, for each and every such device, and in payment for such devices the Licensor shall deduct from the purchase price the amount of its lien or liens for unpaid royalties and pay the remainder, if any there be, to the Licensee's trustee in bankruptcy or receiver or receivers. [8]

11. The Licensee covenants and agrees during the term of this license agreement not to manufacture or use or rent any device which will be in competition with the device or devices covered by this license agreement.

12. The Licensor covenants and agrees that during the term of this agreement, not to manufacture, sell, rent, license, use, or in any way do business with the device or devices covered by this agreement or with devices which will come or be in competition with the device or devices covered by this agreement.

13. It is mutually covenanted and agreed that this license shall be assignable by the Licensee only upon the written consent of the Licensor, its successors or assigns.

14. It is further covenanted and agreed that the Licensee shall manufacture and use the required number

of devices necessary to take care of the demand for said devices amongst the operators in the oil-fields of the United States of America. And in the event the Licensee shall fail or neglect to furnish the devices necessary to take care of the demand of the oil operators in any or all of the oil-fields of the United States of America, the Licensor may serve notice on the said Licensee to manufacture and furnish devices to the operators of any or of all of the oil-fields of the United States and if within one hundred twenty (120) days after such notice has been served upon the Licensee, the Licensee still fails or neglects to furnish devices in any or all of the oil-fields of the United States where there is demand therefor, then and in that event, the Licensor may manufacture and use, or license others to manufacture and use, the devices covered by this license agreement, in such oil-fields where the Licensee shall have failed to supply the demand for such devices, provided, however, that nothing in this paragraph contained shall give the Licensor or its licensee or licensees the permission to alter the prices fixed by this license [9] agreement for the use of the devices covered hereby; and provided further that nothing herein contained shall require the licensee to enter more than one oil-field in each six month period of this agreement.

15. It is further covenanted and agreed that the Licensor shall have a right and option to cancel and terminate this agreement upon written notice to the Licensee upon a breach of the terms of this agreement by the Licensee, which notice shall specify the breach and shall

give the Licensee a right and option to remedy the breach within thirty (30) days after said notice. In the event that this license agreement shall be terminated in accordance with this paragraph then the said Licensee agrees to pay all royalties on cuts made prior to the date upon which this agreement becomes terminated and agrees to sell and deliver to the Licensor all the devices in existence at such time at the agreed price of three hundred ($300.00) Dollars per device.

In Witness Whereof, the Licensor has caused this agreement to be executed by its President and Secretary, duly authorized, and has caused its corporate seal to be affixed, and the Licensee has caused this agreement to be executed by its President and Secretary, duly authorized, and has caused its corporate seal to be affixed, all on the day and year first above written.

(Seal) KAMMERER CORPORATION.

By Geo. Kammerer, President.

Attest:

Burdena V. Fitzgerald,
Assistant Secretary.

(Seal) L. F. BAASH PERFORATING COMPANY

By L. F. Baash, President.

Attest:

J. B. Reilly,
Secretary.

(Endorsed): Pltf. Exhibit No. 7. Filed 5/8/41.

[Endorsed]: Filed Apr. 9, 1945. [10]

In the United States District Court
Southern District of California
Central Division

Equity No. 751-Y

KAMMERER CORPORATION, a corporation, et al.,
Plaintiffs,

vs.

IRA J. McCULLOUGH, et al.,
Defendants.

Equity No. 1238-Y

KAMMERER CORPORATION, a corporation, et al.,
Plaintiffs,

vs.

IRA J. McCULLOUGH, et al.,
Defendants.

SUPPLEMENTAL INTERLOCUTORY JUDGMENT

This cause having come on before this Court on the Motions of the defendant to modify the Interlocutory Judgments of June 28, 1941 in the above-entitled causes (a) "by eliminating from each of such Interlocutory Judgments paragraphs VI and VII thereof * * * providing for accountings of and for payment by Defendant to Plaintiffs of profits and damages for patent infringement, with costs [11] of suit", (b) "for a stay of the accounting" and (c) "for Final Judgments providing that the Plaintiffs have used the patent in suit contra to the public interest, and that the complaints be dismissed with costs to Defendants." and on the motion of the defendant to amend his answer in the above-entitled cases, plaintiffs being represented by Frederick S.

Lyon and Leonard S. Lyon, attorneys for plaintiff, and the defendant being represented by R. Welton Whann, A. W. Boyken and Robert M. McManigal, attorneys for defendant, and the case having been heard on May 14, 1945, and this Court being fully advised in the premises, and having filed and entered its Findings of Fact and Conclusions of Law herein, [12]

It Is Ordered, Adjudged and Decreed as follows:

I.

That the Letters Patent in suit, being United States Letters Patent No. 1,625,391 dated April 19, 1927 for Tool For Cutting and Removing Pipe From Wells, are good and valid in law.

II.

That plaintiff herein, Kammerer Corporation, is the sole owner of said Letters Patent No. 1,625,391 and plaintiff, Baash Ross Tool Company, is the exclusive licensee thereunder as alleged in the bill of complaint herein.

III.

That defendant herein, Ira J. McCullough, doing business under the fictitious name of McCullough Tool Company, has infringed said Letters Patent and the claims thereof, particularly Claims 1, 2, 3, 4, 6, 7, 9, 14, 15, 18 and 21 thereof, by manufacturing, using and selling devices as shown in Defendant's Exhibits C and D.

IV.

That the bill of complaint herein be dismissed as to defendants, Otis J. McCullough a. [Ray Andrade.

V.

It is Further Ordered, Ajudged and Decreed that plaintiffs herein recover from said defendant, in addition to the profits to be accounted for by defendant, the damages which plaintiffs have sustained by reason of said infringement found as aforesaid, and to that end this case be and the same hereby is referred to David B. Head as Special Master to take and state an account of the profits said defendant has made by reason of such infringement, as well as of the damages which plaintiffs have sustained by reason of said infringement; and that on the hearing before the Master the defendant herein is ordered to produce before said Master the books of account of said defendant and such other [13] evidence as the Master may require in the matter of taking said accounting, and that said defendant, his agents, servants and employees be required to attend before said Master on the hearing before said Master as the Master may direct.

VI.

It Is Further Ordered, Adjudged and Decreed that plaintiffs herein recover from defendant the costs in this case to be taxed up to and including the entry of this supplemental judgment and that execution issue therefor; and that as to any further costs in this case from and after the entry of this supplemental judgment shall abide the further order of this Court.

VII.

That the motion of the defendant for final judgments dismissing the complaints is hereby denied.

VIII.

That the motions of the defendant to amend his answer in the above-entitled cases is hereby denied.

IX.

That the motion of the defendant for a stay of the accounting proceedings is hereby denied.

Costs taxed at .....

Dated this ..... day of June, 1945.

.....

United States District Judge

Motion for entry of Supplemental Interlocutory Judgment is denied, as the motion to modify the judgment was denied, the original judgment stands.

L. R. Y.,
J.

[Endorsed]: Received 6/4/45, 4:58 P. M. L. J. S., D. C.

[Minutes: Tuesday, June 5, 1945]

Present: The Honorable Leon R. Yankwich, District Judge.

This cause having been submitted on the motions of defendants presented and argued on May 14, 1945: At this time the Court signs the findings and order presented by the plaintiff, as modified by the insertion on page 3-A. The objections of defendant to the findings and order are overruled. The motion for entry of supplemental interlocutory judgment is denied, and the Court orders that as the motion to modify the judgment was denied, the original judgment stands. Formal order is signed, filed and entered in Misc. Civil Order Book. [15]

In the United States District Court
Southern District of California
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Equity No. 751-Y

KAMMERER CORPORATION, a corporation, et al.,
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Equity No. 1238-Y

KAMMERER CORPORATION, a corporation, et al.,
Plaintiffs,

vs.

IRA J. McCULLOUGH, et al.,
Defendants.

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER DENYING DEFENDANT'S MOTIONS

Interlocutory Judgments were entered in the above entitled cases on June 28, 1941, adjudging the patent in suit valid and infringed and providing for accountings of and for payment by Defendant to Plaintiffs of Defendant's profits and Plaintiffs' damages sustained by reason of such infringement. [16]

On July 10, 1941, the Defendant appealed from such Interlocutory Judgments to the Circuit Court of Appeals for the Ninth Circuit. Orders staying the injunctions and accountings pending the appeals were entered by this

Court on July 25, 1941. On these appeals the Court of Appeals affirmed the judgments of this Court.

Certiorari was sought from the Supreme Court on the ground that the license agreement between the Plaintiffs contained restrictions which were asserted to be unauthorized by the patent monopoly, contrary to public policy, and unlawful, and hence all equitable relief should be denied Plaintiffs. Certiorari was denied, but upon a petition for rehearing the order denying certiorari was vacated and certiorari granted June 5, 1944. After full hearing, the Supreme Court, on January 2, 1945, dismissed the Writ of Certiorari for the reason that the only question for which that Court granted certiorari was "one not properly raised, litigated or passed upon below."

After the dismissal of the Writ of Certiorari, Defendant moved the Court of Appeals for a modification of its decree herein dated October 18, 1943, affirming the appealed judgments "by eliminating from such decree any affirmance of paragraphs VI and VII of the two District Court Interlocutory Judgments providing for payment by Defendant to Plaintiffs of profits and damages for alleged patent infringement," with costs of suit "on the ground that Plaintiffs have used the patent in suit contrary to public policy and in restraint of trade, for which reasons they come into court with unclean hands," and are not entitled to an accounting of profits and damages. In the alternative, Defendant moved "for permission to apply to the District Court to reform said Interlocutory Judgments and stay the accounting, or for such other and different relief as may seem proper." [17]

After full argument, the Court of Appeals, on March 14, 1945, without passing upon the merits of Defendant's contention respecting the effect on the public interest of

Plaintiffs' license agreement, filed its Per Curiam opinion modifying its judgment of October 18, 1943, (without altering its judgment affirming the judgments of the District Court as to the validity of the patent and its infringement) to provide, "that the cause be remanded to the District Court and that that Court may entertain a motion or motions based upon such contention to modify or set aside its order or orders for such damages and accountings thereof, and take such action therein as it may determine."

Pursuant to the mandate of the Court of Appeals, Defendant now moves this Court to modify the Interlocutory Judgments of June 28, 1941 in the above cases (a) "by eliminating from each of such Interlocutory Judgments paragraphs VI and VII thereof * * *: providing for accountings of and for payment by Defendant to Plaintiffs of profits and damages for patent infringement, with costs of suit," (b) "for a stay of the accounting," and (c) "for Final Judgments providing that the Plaintiffs have used the patent in suit contra to the public interest, and that the complaints be dismissed with costs to Defendants."

This cause now comes on to be heard upon the aforesaid motions of Defendant. The grounds of the motions are that the Plaintiffs have used the patent in suit against the public interest and in restraint of trade to: (1) suppress the use of competing devices; (2) suppress the sale of the patented device by both the patent owner and licensee; (3) fix prices for the use of the patented device, which require the use of an unpatented commodity. Defendant in his reply brief filed in support of the aforesaid motions stated; "We are not moving for a new trial" * * * "nor is any new or further

evidence necessary in support of defendant's contention that the patent in suit was misused." [18]

When the motion was called for hearing, the Court stated to counsel for the defendants that on inquiry of one of counsel for the defendants, Mr. Robert M. McManigal, whether any evidence would be offered by the defendants in support of the motion, he was informed that no new or additional evidence would be presented, but that the defendants would rely upon the license agreement before the court and the other facts in the record in support of the motion. Whereupon Mr. A. W. Boyken, one of counsel for the defendants, who did not represent the defendants on the trial of the cause, informed the court that the statement made by other counsel was correct, and that the defendants did not intend to and would not offer any additional evidence, but merely argue the motion on the basis of the record already before the court. Whereupon, the cause was argued before the court by counsel for both parties. [19]

At the conclusion of the arguments upon Defendant's aforesaid motions and after the court had announced its oral decision denying each of the motions, Defendant then moved the court orally that Defendant be given permission to amend his answer in both of the above entitled cases, to set up in detail the misuse of the patents in suit by Plaintiffs;

And the court having heard the arguments of counsel for the respective parties, and being fully advised in the premises, finds the facts and states its conclusions of law as follows:

Findings of Fact

1.

The tool of the Kammerer patent No. 1,277,000 is used for the purpose of cutting off drill pipe that may have become stuck in the operation of drilling an oil well by the rotary method. The Reilly and Stone patent is an improvement over the Kammerer patent. The Reilly and Stone invention and the tool itself was made in the shop of the L. F. Baash Perforating Co., on the company's time and with the company's material. Kammerer notified the company and Reilly that the Reilly and Stone tool was an infringement of the Kammerer patent;

To settle the controversy, Baash negotiated with Kammerer and with Reilly and Stone and offered to build the tool, operate it and pay them fifty percent of the gross receipts for all rental tools, and all sales to foreign countries. Kammerer, Reilly and Stone formed Plaintiff, Kammerer Corporation, to own and hold the Kammerer invention and patent and the Reilly and Stone invention and patent. This corporation in turn granted to L. F. Baash Perforating Company the exclusive license here in question. Subsequently this license was assigned to Plaintiff, Baash-Ross Tool Company; [20]

By this arrangement and by the license agreement, the Kammerer Corporation, the owner of the inventions and patents, and Baash-Ross Tool Company engaged in a common enterprise in the nature of a joint venture in the exploitation of the use of the Kammerer and Reilly and Stone inventions for their mutual advantage.

2.

Paragraph 1 of the license "grants to the Licensee the exclusive right and license to manufacture and use, but

not to sell, devices embodying the aforesaid inventions * * * throughout the United States * * *";

The Reilly and Stone tool is a fishing tool. Tools of this type are not purchased by well drillers, but are handled by service organizations, of which Plaintiff, Baash-Ross Tool Company, is one, who maintain a stock of the tools and a staff of experienced operators. In providing in the license agreement that the Reilly and Stone tool should be made and used by the Licensee, the parties were only making the ordinary and usual type of contract adapted for the licensed business.

It is not established that the provision in the license agreement that the tool was not to be sold but only to be used by the Licensee, interfered in any manner with any interest of the public.

3.

Paragraph 2 of the license agreement provides that the "Licensee covenants and agrees * * * to pay the Licensor hereunder upon all devices embodying the aforesaid inventions, a royalty of fifty percent (50%) of the gross earnings accruing by the use of said devices by the Licensee";

Paragraph 3 of the license agreement provides that the "Licensee covenants and agrees * * * to charge as a rental for the use of said device or devices the sum of One Hundred and Ninety ($190.00) Dollars per cut made by said device or devices." [21]

The licensor was merely a holding company organized to embrace the rights of both the Kammerer invention and patent and the Reilly and Stone invention and patent. The parties were engaged in a common enterprise in the nature of a joint venture. The returns from the com-

mon enterprise were to be divided equally between the parties to the license agreement. The amount of the gross earnings determined the return from the invention. There is no question of the fixing of prices between competitors.

4.

There has never been any competition actual or possible between Plaintiff, Kammerer Corporation, and Plaintiff, Baash-Ross Tool Company.

5.

It is not established that the price of $190.00 per cut fixed by Paragraph 3 of the license agreement includes the cost of extra parts or the time of operators. However, such fact is immaterial. The parties to the agreement had the right to fix the price at which the tool would be used by the licensee. The agreement was not for the purpose of restricting the condition of use to the public or of maintaining prices between competitors. There was no restriction upon free competition. It left competitors of the licensee free to sell or rent their competitive fishing tools at any price they elected to charge for them. The parties to the agreement did no more than the owner of the patents itself could have done had the license agreement not been made.

6.

It is not established that the covenants contained in Paragraph 3 have been or are detrimental to the public interest.

7.

It is not established that Plaintiffs have attempted to fix prices upon anything not covered by the patent in suit. [22]

8.

By paragraph 11 of the license agreement "Licensee covenants and agrees * * * not to manufacture or use or rent any device which will be in competition with the device or devices covered by this license agreement."

By paragraph 12 the "Licensor covenants and agrees * * * not to manufacture, sell, rent, license, use or in any way do business with the device or devices covered by this agreement or with devices which will come or be in competition with the device or devices covered by this agreement."

By the license agreement the parties interested in the ownership of the inventions and patents engaged in a common enterprise. These covenants were proper and such only as to offer fair protection to the parties in their common enterprise. Such covenants merely bound the parties to a course of conduct corresponding to that required of the parties to a common enterprise and which if not expressed would be implied. There is no restriction upon free competition. Competitors of Baash-Ross Tool Company were free to sell, lease or otherwise dispose of their fishing tools to anyone upon any terms or prices. Competitors were free to compete for the customers of Baash-Ross Tool Company by offering the use of their tools at lower prices or on better terms than such customers secured from Baash-Ross Tool Company. These covenants were not in restraint of trade or illegal.

9.

It is not established that the covenants contained in paragraphs 11 or 12 of the license agreement have been or are detrimental to the public interest.

10.

It is not established that Plaintiffs have attempted to suppress the use of competing devices. [23]

11.

It is not established that Plaintiffs have ever attempted in any manner whatsoever to restrict the public use of non-infringing competitive devices.

12.

It is not established that the asserted restrictive covenants in the license agreement are or have been in any manner detrimental to the public interest.

13.

It is not established that the asserted restrictive covenants in the license agreement are or have been enforced by the Plaintiffs in any manner detrimental to the public interest.

14.

It is not established that the Plaintiffs have used the patent in contravention of public interest.

15.

Analyzing the license agreement on its face, the covenants are all of a character which the owner of a patent has a right to enter into with one whom he makes an exclusive licensee, aiming at the exploitation of the invention and were reasonably necessary to protect the mutual interests of the parties engaged in the common enterprise.

16.

That portion of the Interlocutory Judgments which finds validity of the patent and infringement by the Defendant stands affirmed and has become final.

17.

There are no equities remaining in the case to be considered, and there are no equities so far as the public is concerned because the entire patent is now in the public domain and no injunctive process can be issued in the case because the patent has expired. [24]

Conclusions of Law

(1) The covenants between the parties to the license agreement not to compete were not in restraint of trade or illegal.

(2) The grant of the license to manufacture and use, but not to sell, was not illegal.

(3) The setting of the price to be charged by the licensee for running the tool for its customers was not illegal.

(4) There is nothing in the license agreement attempting to extend the scope of the patent monopoly.

(5) The patent in suit has not been used in contravention of public interest.

(6) The asserted restrictive covenants contained in the license agreement were reasonably necessary to protect the mutual interests of the parties.

(7) Plaintiffs have not attempted to fix prices upon anything not covered by the patent in suit.

(8) Plaintiffs have not attempted to suppress the use of competing devices.

(9) The motion of the Defendant to modify the Interlocutory Judgments by striking therefrom the provision requiring an accounting to ascertain the profits and damages or to stay the accounting should be denied.

(10) The motion of the Defendant for final judgment dismissing the complaints should be denied.

(11) The motion of the Defendant for permission to amend his answer in the above entitled cases to set up in detail the misuse of the patent in suit by Plaintiffs should be denied on the ground that it would mean a retrial of the cases, and on the further ground that Defendant has not shown that there is any evidence to support such motion. [25]

ORDER

It Is Therefore Ordered that the motion of the Defendant to modify the Interlocutory Judgments by striking therefrom the provision requiring an accounting to ascertain the profits and damages from the infringement by Defendant, or to stay the accounting is hereby denied;

It Is Further Ordered that the motion of the Defendant for final judgments dismissing the complaints is hereby denied;

It Is Further Ordered that the stay of the accounting proceedings heretofore entered herein by this Court be, and the same is hereby, vacated and set aside, and the accounting proceedings before David B. Head, as Master, as provided in the original order of reference heretofore entered herein, be forthwith resumed;

It Is Further Ordered that the motion of the Defendant to amend his answer in the above entitled cases is hereby denied.

Dated: Los Angeles, California, June 5, 1945.

LEON R. YANKWICH
Judge of the District Court [26]

Due Service and receipt of a Copy of the within Findings of Fact, Conclusions of Law, etc., is hereby admitted this 22 day of May, 1945. R. Welton Whann, R. M. McManigal, Attys. for Defendant.

[Endorsed]: Filed Jun. 5, 1945. [27]

[Title of District Court and Cause.]

NOTICE BY CLERK OF ENTRY OF JUDGMENT

Lyon & Lyon, Esqs.,
811 West Seventh St.
Los Angeles 14, California.

R. Welton Whann, Esq.,
Robert McManigal, Esq.,
A. W. Boyken, Esq.,
818 Pacific National Bldg.,
Los Angeles 15, California.

Gentlemen:

Re Kammerer Corporation, etc., v. Ira J. McCullough et al.
Eq. 751 Y and Eq. 1238 Y

You are hereby notified that Findings of Fact, Conclusions of Law and Order Denying Motions of Defendants has been entered this day in the above-entitled case, in Misc. Civil Order Book, June 5th, 1945.

Dated: Los Angeles, California.

EDMUND L. SMITH,
Clerk.

By Louis J. Somers,
Deputy Clerk.

This notice mailed June 8th, 1945. [28]

[Title of District Court and Cause.]

ORDER UPON ACCOUNTING

Pursuant to the Order entered on June 5, 1945, in the above entitled consolidated causes, vacating and setting aside the stay of the accounting proceedings theretofore entered therein, and ordering that the accounting proceedings before the undersigned as Master, as provided in the original Order of reference theretofore entered therein, be forthwith resumed; [28]

Now, Therefore, pursuant to the Interlocutory Judgment entered on June 28, 1941, in each of the above entitled consolidated actions, and for the purpose of taking and stating an account of the profits and gains which the Defendant has derived or received by reason of the infringement adjudged in said Judgments, and for the purpose of assessing any and all damages which Plaintiffs have sustained by reason of said infringements:

You, the said Ira J. McCullough, are hereby ordered and directed to appear before me at the hour of 10:00 o'clock A. M., on the 2nd day of July, 1945, at my office, Room 520, in the Post Office and Federal Building, Los Angeles, California, and bring with you and render an account or statement, in writing, under oath, of the profits and gains which you have derived or received, arising out of or accruing from the aforesaid infringements in each of the above entitled consolidated causes, and that you separately set forth in detail in said account or statement, in each of said causes, the following:

1. The total number of devices of the type and kind decreed to be an infringement of the Letters Patent in suit which you have manufactured, used, sold, leased, con-

tracted with others for the use thereof, or otherwise disposed of.

2. The date on which each such device was manufactured, used, sold, leased, contracted with others for the use thereof, or otherwise disposed of; the name and address of each purchaser and lessee of each and every such device; the name and address of each person, firm or corporation with whom you have contracted in any manner for the use of each and every such device; the name and address of each and every person, firm or corporation to whom you have in any other manner disposed of each and every such device; and the amount you received for each device; separately stating the amounts received from sales, leases, rentals, or services, etc.; the name and address of each person, firm or corporation for [30] whom you have used outside cutters of the type and kind decreed to be in infringement of the Letters Patent in suit to cut pipe out of wells, giving the number and location of each well, or wells, the number of cuts performed on each well, the date, or dates, each such cuts were made, the price charged and collected for each cut so made.

3. The total cost to you of manufacturing said infringing devices, giving in detail the character and amount of each item included therein.

4. The number and kind of each and every spare parts, repairs and replacement parts and supplies manufactured, sold, or otherwise furnished by our or on your behalf to the users of each device of the type and kind decreed to be in infringement of the Letters Patent in suit; the name

and address of each person, firm or corporation to whom you so sold or otherwise furnished the same; the amount you received or contracted to receive for the same; and the total cost to you of manufacturing or otherwise obtaining the same, giving in detail the character and amount of each item included therein.

It Is Further Ordered that you have with you at said time all books, papers, documents, statements, records, vouchers, contracts, leases, and all other things pertaining to such infringement and the amount received and expended therein by you, including all matters pertaining to the manufacturing, using, selling, servicing, or otherwise disposing of such device.

This order is directed to you, your officers, agents, employees, clerks, attorneys, representatives, workmen and associates, and each of them, as they may stand with you in relation to the premises, all in accordance with said Interlocutory Judgment entered in each of the aforesaid consolidated causes, and the powers therein and thereby conferred upon me and in accordance with Rule 53 of the Rules of Civil Procedure, and the Rules of [31] Practice in the Courts of Equity in the United States, and the Statutes of the United States made and provided.

Dated: At Los Angeles, California, this 11th day of June, 1945.

DAVID B. HEAD
Special Master

[Endorsed]: Filed Jun. 14, 1945. [32]

[Title of District Cause and Court.] Equity No. 751-Y

NOTICE OF APPEAL TO CIRCUIT COURT OF APPEALS

Notice is hereby given that Ira J. McCullough, defendant-appellant above named, hereby appeals to the Circuit Court of Appeals for the Ninth Circuit from the Final Order entered in this action on the 5th day of June, 1945.

Dated: July 3rd, 1945.

R. WELTON WHANN
A. W. BOYKEN
ROBERT M. McMANIGAL
Attorneys for Defendant-Appellant
Address:
315 West Ninth Street
Los Angeles, California

[Endorsed]: Filed & mld. copy to Lyon & Lyon, Attys. for plfs. Jul. 3, 1945. [33]

[Title of District Court and Cause.]

BOND ON APPEAL

Know All Men By These Presents, that Fidelity and Deposit Company of Maryland, a corporation, organized and existing under the laws of the State of Maryland, and duly licensed to transact business in the State of California, is held and firmly bound unto Kammerer Corporation, a corporation, and Baash-Ross Tool Company, a corporation, the plaintiffs and appellees in the above entitled case, in the penal sum of Two Hundred Fifty and No 100 ($250.00) Dollars, to be paid to said plaintiffs

and appellees, their successors, assigns, or legal representatives, for which payment well and truly to be made, the Fidelity and Deposit Company of Maryland binds itself, its successors and assigns firmly by these presents. [34]

The Condition of the Above Obligation Is Such, That Whereas, Ira J. McCullough, defendant, is about to take an appeal to the United States Circuit Court of Appeals for the Ninth Circuit to reverse a final order rendered and entered on June 5, 1945, in favor of the plaintiffs and appellees by the United States District Court for the Southern District of California, Central Division, in the above entitled case,

Now, Therefore, if the above named defendant and appellant shall answer all costs which may be adjudged against him if the appeal is dismissed, or the judgment affirmed, or such costs as the Appellate Court may award if the judgment is modified, then this obligation shall be void; otherwise to remain in full force and effect.

It Is Hereby Agreed by the Surety that in case of default, or contumacy, on the part of the Principal or Surety, the Court may, upon notice to them of not less than ten days, proceed summarily and render judgment against them, or either of them, in accordance with their obligation and award execution thereon.

Signed, sealed and dated this 15th day of June, 1945.

(Seal) FIDELITY AND DEPOSIT COMPANY OF MARYLAND

By Robert Hecht

Attorney in Fact

Attest:

Theresa Fitzgibbons

Agent.

State of California,
County of Los Angeles—ss.

On this 15th day of June, 1945, before me, S. M. Smith, a Notary Public, in and for the said County of Los Angeles, State of California, residing therein, duly commissioned and sworn, personally appeared Robert Hecht, known to me to be the Attorney-in-Fact, and Theresa Fitzgibbons, known to me to be the Agent of the Fidelity and Deposit Company of Maryland, the Corporation that executed the within instrument, and acknowledged to me that they subscribed the name of the Fidelity and Deposit Company of Maryland thereto and their own names as Attorney-in-Fact and Agent, respectively.

(Seal) S. M. SMITH
Notary Public in and for the County of Los Angeles, State of California.

My Commission Expires February 18, 1946.

Examined and recommended for approval as provided in Rule 8.

R. WELTON WHANN
A. W. BOYKEN
ROBERT M. McMANIGAL
Attorneys for Appellant, Defendant.

[Endorsed]: Filed Jul. 3, 1945. [35]

[Title of District Court and Cause.] Equity No. 1238-Y

NOTICE OF APPEAL TO CIRCUIT COURT OF APPEALS

Notice is hereby given that Ira J. McCullough, defendant-appellant above named, hereby appeals to the Circuit Court of Appeals for the Ninth Circuit from the Final Order entered in this action on the 5th day of June, 1945.

Dated: July 3rd, 1945.

R. WELTON WHANN
A. W. BOYKEN
ROBERT M. McMANIGAL
Attorneys for Defendant-Appellant

Address:
315 West Ninth Street
Los Angeles, California

[Endorsed]: Filed & mld. copy to Lyon & Lyon, Attys. for plfs. Jul. 3, 1945. [36.]

[Title of District Court and Cause.]

BOND ON APPEAL

Know All Men By These Presents, that Fidelity and Deposit Company of Maryland, a corporation, organized and existing under the laws of the State of Maryland, and duly licensed to transact business in the State of California, is held and firmly bound unto Kammerer Cor-

poration, a corporation, and Baash-Ross Tool Company, a corporation, the plaintiffs and appellees in the above entitled case, in the penal sum of Two Hundred Fifty and No/100 ($250.00) Dollars, to be paid to said plaintiffs and appellees, their successors, assigns, or legal representatives, for which payment well and truly to be made, the Fidelity and Deposit Company of Maryland binds itself, its successors and assigns firmly by these presents. [37]

The Condition of the Above Obligation Is Such, That Whereas, Ira J. McCullough, defendant, is about to take an appeal to the United States Circuit Court of Appeals for the Ninth Circuit to reverse a final order rendered and entered on June 5, 1945, in favor of the plaintiffs and appellees by the United States District Court for the Southern District of California, Central Division, in the above entitled case,

Now, Therefore, if the above named defendant and appellant shall answer all costs which may be adjudged against him if the appeal is dismissed, or the judgment affirmed, or such costs as the Appellate Court may award if the judgment is modified, then this obligation shall be void; otherwise to remain in full force and effect.

It Is Hereby Agreed by the Surety that in case of default, or contumacy, on the part of the Principal or Surety, the Court may, upon notice to them of not less than ten days, proceed summarily and render judgment against them, or either of them, in accordance with their obligation and award execution thereon.

Signed, sealed and dated this 15th day of June, 1945.

(Seal) FIDELITY AND DEPOSIT COMPANY OF MARYLAND

By Robert Hecht

Attorney in Fact.

Attest:

Theresa Fitzgibbons

Agent

State of California,

County of Los Angeles—ss:

On this 15th day of June, 1945, before me, S. M. Smith, a Notary Public, in and for the said County of Los Angeles, State of California, residing therein, duly commissioned and sworn, personally appeared Robert Hecht, known to me to be the Attorney-in-Fact, and Theresa Fitzgibbons, known to me to be the Agent of the Fidelity and Deposit Company of Maryland, the Corporation that executed the within instrument, and acknowledged to me that they subscribed the name of the Fidelity and Deposit Company of Maryland thereto and their own names as Attorney-in-Fact and Agent, respectively.

(Seal) S. M. SMITH

Notary Public in and for the County of Los Angeles, State of California.

My Commission Expires February 18, 1946.

Examined and recommended for approval as provided in Rule 8.

R. WELTON WHANN

A. W. BOYKEN

ROBERT M. McMANIGAL

Attorneys for Appellant, Defendant

[Endorsed]: Filed Jul. 3, 1945. [38]

[Title of District Court and Cause.]

STIPULATION RE SINGLE RECORD ON APPEALS

Whereas, an Order was made on January 19, 1939 consolidating the above-entitled cases for trial and for all other purposes, and, [39]

Whereas, an Order was made in the Circuit Court of Appeals in the first appeals causing the record on appeal to be printed entitled in both of said appeals, and,

Whereas, defendant's "Motion for Modification of Interlocutory Judgments, To Stay Accountings, and for Final Judgments Dismissing Complaints" in each of said cases is a single instrument entitled in both of said causes, and said Motions were heard together, and,

Whereas, the "Findings of Fact, Conclusions of Law and Order Denying Defendant's Motions" in said actions is a single instrument entitled in both of said causes, and,

Whereas, the record on appeal in both of said appeals is substantially the same, and,

Whereas, economy and justice can be best served by a single record on appeal,

It Is Hereby Stipulated by and between the parties, through their respective attorneys and subject to the approval of the Court, that the records on appeal in the

above entitled actions be combined in a single record on appeal.

Dated at Los Angeles, California, this 19 day of July, 1945.

LYON & LYON
LEWIS E. LYON
Attorneys for Plaintiffs

R. WELTON WHANN
A. W. BOYKEN
ROBERT M. McMANIGAL
Attorneys for Defendant Ira J. McCullough

Approved and so ordered this 20th day of July, 1945.

PAUL J. McCORMICK
United States District Judge

[Endorsed]: Filed Jul. 20, 1945. [40]

[Title of District Court and Cause.]

STATEMENT OF POINTS TO BE RELIED UPON BY DEFENDANT-APPELLANT IN SUPPORT OF HIS APPEALS PURSUANT TO THE PROVISIONS OF RULE 75 (d) OF THE RULES OF CIVIL PROCEDURE

The above-named Defendant-Appellant intends to rely upon the [41] following points in support of his appeals to the Circuit Court of Appeals for the Ninth Circuit:

I.

In finding that by the license agreement, Ex. No. 7, the Plaintiffs engaged in a common enterprise in the nature of a joint venture.

II.

In finding that in providing in the license agreement that the Reilly and Stone tool should be made and used by the Licensee, the parties were only making the ordinary and usual type of contract adapted for the licensed business.

In finding that it is not established that the provision in the license agreement that the tool was not to be sold but only to be used by the Licensee, interfered in any manner with any interest of the public.

III.

In finding that there is no question of the fixing of prices between competitors.

IV.

In finding that there has never been any competition, actual or possible between Plaintiffs.

V.

In finding that it is not established that the price of $190.00 per cut fixed by Paragraph 3 of the license agreement includes the cost of extra parts or the time of operators. In finding that such fact is immaterial. In finding that the parties to the agreement had the right to fix the price at which the tool would be used by the Licensee. In finding that the agreement was not for the purpose of restricting the condition of use to the public or of maintaining prices between competitors. In finding that there was no restriction upon free competition. [42]

VI.

In finding that it is not established that the covenants contained in Paragraphs 3, 11, 12, or any other paragraph of the license agreement have been or are detrimental to the public interest.

VII.

In finding and concluding that Plaintiffs have not attempted to fix prices upon anything not covered by the patent in suit.

VIII.

In finding that the covenants contained in Paragraphs 11 and 12 of the license agreement were proper and were not in restraint of trade or illegal.

IX.

In finding and concluding that Plaintiffs have not attempted to suppress the use of competing devices.

X.

In finding that it is not established that the restrictive covenants in the license agreement are or have been enforced by the Plaintiffs in any manner detrimental to the public interest.

XI.

In finding and concluding that the patent in suit has not been used in contravention of the public interest.

XII.

In finding that in analyzing the license agreement on its face, the covenants are all of a character which the owner of a patent has a right to enter into with one whom he makes an exclusive licensee, aiming at the exploitation of the invention, and were reasonably necessary to protect the mutual interests of the parties engaged in the common enterprise.

XIII.

In finding that portion of the Interlocutory Judgments which finds validity of the patent and infringement by the Defendant [43] stands affirmed and has become final.

XIV.

In finding that there are no equities remaining in the case to be considered, and there are no equities so far as the public is concerned because the entire patent is now in the public domain and no injunctive process can be issued in the case because the patent has expired.

XV.

In concluding that the covenants between the parties to the license agreement not to compete were not in restraint of trade or illegal.

XVI.

In concluding that the grant of the license to manufacture and use, but not to sell, was not illegal.

XVII.

In concluding that the setting of the price to be charged by the licensee for running the tool for its customers was not illegal.

XVIII.

In concluding that there is nothing in the license agreement attempting to extend the scope of the patent monopoly.

XVIV.

In finding and concluding that the restrictive covenants contained in the license agreement were reasonably necessary to protect the mutual interests of the parties.

XX.

In concluding and ordering that the motion of the Defendant to modify the Interlocutory Judgments by striking therefrom the provision requiring an accounting to ascertain the profits and damages or to stay the accounting should be denied. [44]

XXI.

In concluding and ordering that the motion of the Defendant for final judgment dismissing the complaints should be denied.

XXII.

In concluding and ordering that the motion of the Defendant for permission to amend his answers should be denied.

XXIII.

In ordering that the accounting proceedings be resumed.

XXIV.

In finding findings of fact numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 17, in concluding conclusions of law numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11, and in ordering all of the paragraphs of the Order which was entered on June 5, 1945.

XXV.

In failing to find, conclude, and decree that the covenants of Plaintiffs not to deal in devices competitive with the licensed devices constituted an attempt to extend the patent monopoly and were detrimental to the public interest, and in restraint of trade and illegal.

XXVI.

In failing to find, conclude and decree that the covenants of Plaintiffs preventing the sale of the licensed device by either of them was detrimental to the public interest, in restraint of trade, and illegal.

XXVII.

In failing to find, conclude and decree that the fixing of the price which the Licensee must charge for the use of the patented tool, including the service charge, was beyond the scope of the patent, detrimental to the public interest, in restraint of trade and illegal. [45]

XXVIII.

In failing to find, conclude and decree that the Plaintiffs are not entitled to accountings and payment of profits and damages by reason of the misuse of the patents in suit.

XXVIV.

In not dismissing the Plaintiffs' complaint.

Dated at Los Angeles, California, this 20th day of July, 1945.

R. WELTON WHANN
A. W. BOYKEN
ROBERT M. McMANIGAL
Attorneys for Defendant.

Receipt of the foregoing "Statement of Points to Be Relied Upon by Defendant-Appellant in Support of His Appeals Pursuant to the Provisions of Rule 75 (d) of the Rules of Civil Procedure" is hereby acknowledged this 23rd day of July, 1945. Lyon & Lyon, Lewis E. Lyon, Attorneys for Plaintiff-Appellee.

[Endorsed]: Filed Jul. 23, 1945. [46]

[Title of District Court and Cause.]

STIPULATION AND ORDER RE FILING OF REPORTER'S TRANSCRIPTS

It is hereby stipulated and agreed, by and between the parties hereto, subject to the approval of the Court, that the original of [51] the "Reporter's Transcript of Opinion of the Court on Motion of Defendant for Modification of Interlocutory Judgment; and to Stay Accounting and for Final Judgments Dismissing the Proceedings, Pursuant to Notice Filed April 9, 1945," be filed, together with a copy of said transcript, and that the original of the "Reporter's Transcript of Proceedings in re Motion of Defendants for Modification of Interlocutory Judgments; to Stay Accounting and for Final Judgments Dismissing the Proceedings, Pursuant to Notice Filed April 9, 1945," which copy was for the use of the Court, may be filed, and that the filing of the above mentioned transcripts shall be deemed to be a sufficient compliance with the rules.

Dated at Los Angeles, California, July 23, 1945.

LYON & LYON
LEWIS E. LYON
Attorneys for Plaintiffs

R. WELTON WHANN
A. W. BOYKEN
ROBERT M. McMANIGAL
Attorneys for Defendant Ira J. McCullough

Approved and so ordered this 24th day of July, 1945.

LEON R. YANKWICH
United States District Judge

[Endorsed]: Filed J[illegible] 24, 1945. [52]

[Title of District Court and Cause.]

CERTIFICATE OF CLERK

I, Edmund L. Smith, Clerk of the District Court of the United States for the Southern District of California, do hereby certify that the foregoing pages numbered from 1 to 52 inclusive contain full, true and correct copies of Motion for Modification of Interlocutory Judgments, to Stay Accountings, and for Final Judgments Dismissing Complaints together with Exhibit A only; Proposed Supplemental Interlocutory Judgment; Minute Order Entered June 5, 1945; Findings of Fact, Conclusions of Law and Order Denying Defendant's Motions; Notice of Entry of Findings, etc.; Order Upon Accounting; Notice of Appeal in Case No. 751-Y—Equity; Bond on Appeal in Case No. 751-Y—Equity; Notice of Appeal in Case No. 1238-Y—Equity; Bond on Appeal in Case No. 1238-Y—Equity; Stipulation and Order re Single Record on Appeals; Statement of Points to be Relied Upon; Appellant's Designation of Record on Appeals; and Stipulation and Order re Reporter's Transcripts which, together with copy of Reporter's Transcripts of May 14, 1945, constitute the record on appeals to the United States Circuit Court of Appeals for the Ninth Circuit.

I further certify that my fees for preparing, comparing, correcting and certifying the foregoing record amount to $15.25 which sum has been paid to me by appellant.

Witness my hand and the seal of said District Court this 9 day of August, 1945.

(Seal) EDMUND L. SMITH, Clerk

By Theodore Hocke

Chief Deputy Clerk

[Title of District Court and Cause.]

REPORTER'S TRANSCRIPT OF OPINION OF THE COURT ON MOTION OF DEFENDANT FOR MODIFICATION OF INTERLOCUTORY JUDGMENT; AND TO STAY ACCOUNTING AND FOR FINAL JUDGMENTS DISMISSING THE PROCEEDINGS, PURSUANT TO NOTICE FILED APRIL 9, 1945

Los Angeles, California, Monday, May 14, 1945; 2:00 P. M.

* * * * * * * * * *

The Court: I am going to rule. As to findings, I think I will call your attention to the case, and I think you had better read it, of Mateas v. Harvey, No. 10,783, January 12, 1945. It is a very broad ruling on the question as to when findings are required. I don't agree with the decision, not because they happened to reverse me, but because I do not think it is consistent with the theory of pleadings to require findings in the case of a nonsuit, when you tell a man he hasn't produced facts sufficient to prosecute a claim. It should not be required to make findings in a one-sided case. However, they evidently take a very broad view of the need for findings in some of the other cases, so I think that probably it would be just as well to have findings.

Now, gentlemen, this case has been pending for a long while. It has been pending for ten years. I have had an opportunity to watch it as it went through the various courts because of the interest I had in this branch of the law and because I am also more or less interested in the general trend of decisions.

I agree with the courts that patents should not be interpreted in a manner so as to confer upon the patentee a monopoly other than that which is inherent in the patent [2*] itself. My own view of the decision of the Supreme Court was that that decision in dismissing certiorari ended the litigation. I assume, however, that the Circuit Court of Appeals thought otherwise, because they sent it back to me. I assume, for the purpose of argument, that I have the right to entertain this motion, and I have entertained it by devoting the day to arguments of counsel on behalf of their respective clients, and have given counsel an opportunity to present evidence, which they said they did not desire to present, but desired to rest on the record.

I am satisfied that this agreement does not fall within the interdiction of any of the cases counsel has cited. I think the agreement between the patent owner and the licensee as to the exclusive exploitation of the patent is a legitimate agreement, which a patent owner can make. I think also that the last decision of the Supreme Court, which was referred to, Hartford Empire Company vs. United States, shows clearly that a patent owner may put in a provision against sale and instead substitute for it a provision calling for rental on a definite basis.

In this particular case the licensee agreed to manufacture the patented article and agreed to furnish the services of skilled persons who were to use it in cutting pipe when pipe had become stock—I don't know what expression they used exactly—had become stuck in the well, and that they divided the profits. Whether we call [3] it a joint venture or not, it is a common enterprise between a single licensee, an exclusive licensee, and

*Page number appearing at top of Reporter's Transcript.

a patent owner for the protection of their mutual interests of a type which does not infringe upon any public interests.

In fact, with the present trend of the courts to restrict the rights of persons to a patent, I think if we deny the owner of the patent the right to market it in a manner so as to be profitable to him—and, certainly, he has the right to decide that it shall be marketed under a leasing system rather than an outright sale—we will make the patent right an illusory right, because ultimately the right to patent is the right to prevent the use by others, a negative right, and only incidentally does it mean the promotion of the enterprise itself. If we say that a man cannot agree with an exclusive licensee that he shall not handle other articles that might compete with it, we really prevent the patent owner from the benefit of the monopoly which his discovery entitles him to, under the Constitution, and the law, and the law of the State.

I think also that at the present stage of the case, as to the infringement, the portion of the decree finding infringement stands affirmed and has become final, and that there are no equities remaining in the case. That seems to me to be the case as it now stands; and that there are no equities so far as the public is concerned, because the entire patent is now in the public domain, and all this court [4] is called upon to do is to assess the damages consequent upon the infringement, and no injunctive process can be issued in the case because the patent has expired.

So I will find that the evidence in the case does not show that the patent has been used in contravention of public interests; that no evidence has been offered to the court that the covenants are either detrimental to the

public or have been enforced in a manner detrimental to the public; that, analyzing the instrument on its face, the covenants themselves are of a character which the owner of a patent has a right to enter into with one whom he makes an exclusive licensee, aiming at the exploitation of the invention.

For that reason the motion of the defendant to modify the interlocutory judgment by striking therefrom the provision requiring an accounting to ascertain the profits or to stay the accounting is denied, and—this is in the alternative, I assume—the motion for final judgment dismissing the complaint is also denied.

I think, gentlemen, that it is quite evident that when a judgment has become final, whether a formal judgment is entered following upon the mandate or not, it places it beyond the court, the trial court, to touch it, unless some illegality appears upon its face; and, therefore, even if I granted the motion to modify, I could not touch the portion of the decree which finds validity of the patent and [5] infringement, because that portion of the decree has been affirmed and is now a final judgment.

I merely am indicating that as another ground for denying that motion, but the chief ground is, as I have stated and as appears more fully in the discussion.

I want to thank you, gentlemen, for the scholariness with which you have rummaged the field and placed this question before the court. I have had the benefit of not only the copies which you have furnished me of briefs, but also of the documents which you have loaned me for my

own, use, consisting of the transcripts and the various briefs and proceedings in the other courts.

Mr. Boyken: Without prejudice to our previous motion, I would like to move at this time that the defendant be given permission to amend its answer in both cases, setting up in detail the misuse of this patent.

The Court: The motion will be denied on the ground that it would mean a retrial, and we can't retry the matter at the present time.

Mr. Leonard S. Lyon: Your Honor please, upon the entry of the interlocutory judgments in this case calling for the accounting, representations were made to Mr. Head, special master,—

The Court: That is correct.

Mr. Leonard S. Lyon: —and he issued orders for the defendants to file their accounting, and those orders were [6] stayed by an order of your Honor pending the termination of the appeals. May I have an order that the stay is now vacated and that we may proceed with the accountings?

The Court: You may put that in as a part of the order denying the motion.

Mr. Leonard S. Lyon: Yes.

The Court: And it merely leaves the case as it was before.

* * * * * * * * * [7]

The Court: Then, gentlemen, you will prepare findings and an order on the motion.

[Endorsed]: Filed Aug. 8, 1945. [8]

[Endorsed]: No. 11122. United States Circuit Court of Appeals for the Ninth Circuit. Ira J. McCullough, Appellant, vs. Kammerer Corporation and Baash-Ross Tool Company, Appellees; Ira J. McCullough, Appellant, vs. Kammerer Corporation and Baash-Ross Tool Company, Appellees. Transcript of Record. Upon Appeals From the District Court of the United States for the Southern Disfrict of California, Central Division.

Filed August 10, 1945.

PAUL P. O'BRIEN

Clerk of the United States Circuit Court of Appeals for the Ninth Circuit.

In the United States Circuit Court of Appeals
for the Ninth Circuit
No. 11122

IRA J. McCULLOUGH,

Appellant,

vs.

KAMMERER CORPORATION, a corporation, and BAASH-ROSS TOOL COMPANY, a corporation,

Appellees.

STATEMENT ADOPTING POINTS ON APPEALS

Comes now the appellant, above named, and adopts as the points to be relied upon on appeal pursuant to Paragraph VI of Rule 19 of the Rules of this Court, the statement of such points appearing in the District Clerk's Transcript of Record on file here, said statement being entitled "Statement of Points to Be Relied Upon by Defendant-Appellant in Support of His Appeals, Pursuant to the Provisions of Rule 75 (d) of the Rules of Civil Procedure."

Dated at Los Angeles, California, this 10th day of August, 1945.

R. WELTON WHANN
A. W. BOYKEN
ROBERT M. McMANIGAL
By Robert M. McManigal
Attorneys for Appellant
315 West Ninth Street
Los Angeles, California

Receipt of the foreging "Statement Adopting Points on Appeal" is hereby acknowledged this 10th day of August, 1945. Lyon & Lyon, Leonard S. Lyon, Attorneys for Appellees.

[Endorsed]: Filed Aug. 13, 1945. Paul P. O'Brien, Clerk.

[Title of Circuit Court of Appeals and Cause.]

APPELLANT'S DESIGNATION OF PARTS OF THE RECORD ON APPEAL TO BE PRINTED.

Comes now appellant, above named, pursuant to Paragraph VI of Rule 19 of this Court, and designates the parts of the record on appeal to be printed as follows:

1. Motion for Modification of Interlocutory Judgments, To Stay Accountings, and for Final Judgments Dismissing Complaints, and Exhibit A attached to said motion.
2. Reporter's Transcript of Opinion of the Court on said Motions, dated May 14, 1945, except as follows:

   Omit cover and title pages.

   Omit page 7, line 9, through page 8, line 9, inclusive.
3. Findings of Fact, Conclusions of Law and Order Denying Defendant's Motions, entered June 5, 1945.
4. Minute Order of Judge Yankwich denying motion for entry of Supplemental Interlocutory Judgment.
5. Notice by Clerk of Entry of Judgment, mailed June 8, 1945.
6. Order Upon Accounting, dated June 11, 1945.
7. Notice of Appeal to Circuit Court of Appeals filed by Defendant Appellant on July 3, 1945, Equity No. 751-Y.
8. Bond on Appeal, filed on July 3, 1945 in Equity No. 751-Y.

9. Notice of Appeal to Circuit Court of Appeals filed by Defendant-Appellant on July 3, 1945, Equity No. 1238-Y.

10. Bond on Appeal, filed on July 3, 1945 in Equity No. 1238-Y.

11. Stipulation and Order dated July 20, 1945 re single record on appeal.

12. Stipulation and Order re filing of Reporter's Transcripts.

13. Statement of Points to be Relied upon by Defendant-appellant in Support of His Appeal Pursuant to the Provisions of Rule 75 (d) of the Rules of Civil Procedure.

14. Appellant's Designation of the Portions of the Record, Proceedings and Evidence to be Contained in the Record on Appeal.

15. Certificate of the Clerk of the District Court to the Transcript of Record on Appeal.

16. Statement Adopting Points on Appeal.

17. Appellant's Designation of Parts of the Record on Appeal to Be Printed.

Dated at Los Angeles, California, this 10th day of August, 1945.

R. WELTON WHANN
A. W. BOYKEN
ROBERT M. McMANIGAL
By Robert M. McManigal
Attorneys for Appellant
315 West Ninth Street
Los Angeles, California

Receipt of the foregoing "Appellant's Designation of Parts of the Record on Appeal to Be Printed" is hereby acknowledged this 10th day of August, 1945. Lyon & Lyon, Leonard S. Lyon, Attorneys for Appellees.

[Endorsed]: Filed Aug. 13, 1945 Paul P. O'Brien, Clerk.

[Title of Circuit Court of Appeals and Cause.]

ORDER REGARDING RECORD

It appearing that second appeals have been taken by the appellant named above, and it also appearing that the causes from which said appeals have been taken were consolidated for trial by the District Court and were tried concurrently upon the same record, and it further appearing that the record on appeal in both of the above entitled appeals is substantially the same, and it also further appearing that economy and justice can be best served by said appeals being heard and determined on the same record on appeal.

It Is Hereby Ordered that the Clerk of this Court shall cause said record on appeal to be printed entitled in both appeals, and that the number of copies of said record on appeal to be filed in said appeals shall be the same number as provided by the Rules of this Court for single appeals.

It Is Further Ordered that the material pleadings, judgments, Opinion of the Court dated June 7, 1941, original license agreement between the plaintiffs, Ex. 7,

Reporter's Transcript of Testimony and Proceedings on the Trial of the Cause in May, 1941, Exhibits introduced in evidence at said trial, and all of the other papers in Volumes I, II, III, and IV of the printed Transcript of Record on file herein in Case No. 9957 of this Court shall constitute a part of the record to be considered by the Court and counsel during the hearing of said cause or otherwise with the same force and effect as if printed in the record to be printed pursuant to "Appellant's Designation of Parts of the Record on Appeal to Be Printed," on file herein.

Dated at San Francisco, California, this 18th day of August, 1945.

FRANCIS A. GARRECHT
United States Circuit Judge

[Endorsed]: Filed Aug. 18, 1945. Paul P. O'Brien, Clerk.